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INFO RUEHOO/CHINA POSTS COLLECTIVE PRIORITY  
RUEHBJ/AMEMBASSY BEIJING PRIORITY 7975  
RUEHGV/USMISSION GENEVA PRIORITY 0524  
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C O N F I D E N T I A L SECTION 01 OF 02 SHENYANG 000220

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DEPARTMENT FOR EAP/CM, DRL

E.O. 12958: DECL: 11/21/2017  
TAGS: [PHUM](#) [PINR](#) [PINS](#) [SOCI](#) [CH](#)  
SUBJECT: INVESTOR PROTESTS ROCK SHENYANG

Classified By: CONSUL GENERAL STEPHEN B. WICKMAN. REASONS: 1.4(B),  
1.4(D)

11. (C) SUMMARY: A relatively small group of protestors assembled outside Consulate General Shenyang early in the afternoon of 21 November to protest the failure of ant-farming health-product company Yilishen to pay dividends. The protests were not directed at the United States, but rather at the Chinese government, which the investors believe should be helping them to recoup their losses. Police were aware of the planned protest well in advance and had added extra guards in riot gear to the consulate perimeter prior to opening of business. The police, including both Public Security Bureau and Diplomatic Security Bureau personnel, were effective in moving the protestors away from the consulate. While there was some violence, it appeared relatively minor. The police herded the people out of the area, but did not appear to make any arrests. Taxi drivers told consulate staff that a protest numbering in the thousands was taking place outside Shenyang City's Party Headquarters. End Summary

12. (U) On the heels of protests outside of the Liaoning provincial government the preceding day, approximately 125-200 Chinese assembled in ShenyangQ,s small diplomatic district on November 21 to protest the failure to pay dividends and the expected closure of Ant Power (Yili Shen), a Shenyang-based company that for the past nine years has spearheaded a nationwide pyramid scheme promising riches to investors who bought shares in their black-ant-based, traditional Chinese medicine product company. Rumors that arrests and seizure of assets were imminent may have prompted investors to take to the streets.

13. (SBU) Crowds of both angry investors and curious onlookers started to appear outside the U.S. and Japanese consulatesQ\*-adjacent to one another on the south side of the square that hosts the various consulates--at roughly 1240 and continued to swell. PeopleQ,s Armed Police (PAP), Public Security Bureau (PSB) and Diplomatic Security Bureau (DSB) personnel quickly streamed into the area, setting up security cordon around all five consulates in the immediate area. (CG spotted a convoy of at least seven buses and police vehicles carrying fully armed riot police streaming toward the street as he walked back from a popular Japanese restaurant.)

14. (C) Poloff walked the crowds before 1400, encountering many angry investors who pleaded with him to Q&reportQ8 about their situation to the U.S. government. Despite undercover police snapping photos and uniformed PSB personnel watching from a close distance, one initially reluctant crowd of 30-40 protestors shed its shyness and shared its stories. One peasant woman, crying, explained that she had lost all RMB 300,000 (USD 40,000) that she had invested in the scheme,

leaving her without any promise of a Q&future.Q8 (Many others Poloff encountered had invested less--RMB 100,000 (USD 13,300) was one figure that kept recurring.) Most appeared to be working-class, Shenyang urbanites, but Poloff also encountered a handful of clearly well-educated, well-dressed Shenyang residents. All of them bitterly accused the government of Q&permittingQ8 Ant Power to swindle them and then refusing to compensate them for their losses. Asked why they had assembled before the U.S. Consulate, protestors explained that while Ant Power had no American ties, an Q&international impactQ8 was needed to force the PRC to intervene. A plainclothes DSB officer intervened after roughly five minutes and demanded Poloff return to the Consulate, pulling him by the arm out of the crowd, explaining disingenuously that he was doing so to Q&assureQ8 PoloffQ,s safety; the police officer refused to answer all questions put to him about the protest. Once back at the ConsulateQ,s entry control point, PAP officers demanded that Poloff and other assembled staff enter the Consulate proper.

15. (C) At 1400, crowds began to periodically chant Q&return our money.Q8 PSB and PAP forces started to physically clear the crowds from the area over the next twenty minutes. Several brief clashes erupted. Econoff witnessed PSB officers kicking one protestor already on the ground. Poloff and other ConGen staff watched from the ConsulateQ,s third floor as PSB traded punches with several angry protestors. Staff saw PSB personnel push and punch several protestors, including women. Generally, however, the violence was minimal, and we did not observe anyone being arrested. The protestors simply walked away heading north along the main street perpendicular to the blocked street in front of the Consulate. Perhaps because of the visible PSB presence near

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the Russian and South Korean Consulates (nearly twenty vehicles full of crowd control personnel), the protestors made no effort to approach these consulates.

16. (U) Ant Power was originally founded in 1998 as Shenyang Jingxin Science-Technology Industrial Company. In August 1999 the company founded a subsidiary, Shenyang Changgang Yibao Liquor Company. In September 2002, Liaoning Xuyan Yilishen Ant Breeding Company, the subject of the recent protests was founded. The entire operation was funded by investments in ant farming for which investors were promised huge returns. In November 2006, investors requested help from Shenyang City Government when Yilishen quit paying dividends. By February of 2007, both provincial and central government law enforcement agencies had begun investigations of the company. Online reports about the investigation suggested that central and provincial authorities did so to stem Q&potential future social problems."

17. (SBU) Bloggers have protested vigorously over the last two days about the scam and the city government's inaction and/or complicity in the scheme. One blogger encouraged protestors to consume lots of Q&baijiuQ8 (the local Q&whiteQ8 liquor of choice) to ward off the cold. Bloggers complain that city police and government officials have protected the company and left the investors with no option but to take to the streets. Bloggers went on to say that news of the protests was being suppressed The blogs themselves were taken down within hours of being posted.

18. (U) Company founder and President Wang Fengyou has certainly been a darling of the local establishment until recently. He was elected Deputy Director of the Northeast China Wine Culture Research Association and is also Deputy Director of the China Healthcare Association, and the China Industrial and Commercial Association. In December 2006, he was recognized as one the top 100 Private Science and Technology Entrepreneurs. Rumors abound that the company is closed and Wang arrested, but Econoff was able to contact the

company by phone and company staff gave every indication that they were still in business.

¶9. (SBU) The company has not had such good recognition in the United States. The U.S. FDA warned in 2004 that two of Ant Power's products, "Actra-RX" and "Yilishen", which purport to be natural supplement for treating erectile dysfunction, actually contain sildenafil, the patented active ingredient in Pfizer's Viagra. The FDA warning, according to bloggers, caused the Hong Kong Stock Exchange to scrap plans for an Ant Power IPO. This, in turn, prompted Ant Power to embark on a pyramid investment scheme to keep the company going. However, by fall of 2006 the company could not attract enough new investors to keep the scheme afloat.

¶10. (U) This is not the first time that Liaoning Province has faced a major ant farming swindle. In February 2007, Wang Zhendong, President and Founder of Yingkou Donghua Trading Company, of Yingkou City, Liaoning Province, was sentenced to death for swindling investors in his ant farming scheme out of roughly USD 350 million. Fifteen other senior employees of the company were sent to prison. Like Ant Power, Yingkou Donghua was promising returns of thirty-five percent. One local observer noted that it would be very difficult to find investors at thirty-five percent, since it can be beaten easily in the Shanghai Stock Market.

WICKMAN